

Approved For Release 2001/03/05 : CIA-RDP82-00457R000410

INTELLOFAX 11

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INFORMATION REPORT

CD NO.

COUNTRY Brazil

DATE DISTR. 11 JAN 50

SUBJECT Political Situation in Brazil

NO. OF PAGES 3

25X1A

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PLACE
ACQUIRED

NO. OF ENCLS.
(LISTED BELOW)

DATE OF INFO: 10/10/68

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SUPPLEMENT TO
REPORT NO.

Possibility that President Dutra May Declare a State of Siege

1. Getulio Vargas, leader of the Partido Trabalhista Brasileiro (Brazilian Workers' Party - PTB), Adhemar de Barros of the PSP, Nereu Ramos, Vice President of Brazil, and Walter Jobim of the PSD, have reportedly concluded that President Dutra will declare a state of siege in Brazil, suspend the elections, and keep himself in power. These leaders have reached an accord, known as the Jobim formula, whereby they intend to prevent any such action by Dutra. Under their agreement, Barros, Jobim, Moises Lupatkin, the Governor of Parana, and Barbosa Lima Sobrinho, the Governor of Pernambuco, intend to retain control of their respective states by not resigning from their present positions to run in the next elections. They feel that they would be more capable of thwarting Dutra's plans by remaining in office. Another phase of the plan is to select a "candidate popular" who would be the true representative of the people and even command Communist support. It is believed that this candidate will be either Nereu Ramos, PTB Senator Salgado Filho, or possibly Getulio Vargas himself. Political leaders in Southern Brazil are in constant communication and expect to announce an "anti-golpista" candidate at the proper moment. They fully expect that he will have popular support. A complete political and social reform is expected after this man is elected.
2. Shortly after the Esplanada do Castelo affair* many copies of a flyer were dropped on the city of Rio from a plane. The sheet, which was addressed "To the People," attacked the clergy and Cardinal Jayme Camara for not allowing a memorial service in the Cathedral in honor of Zelia Magalhães. It claimed that all reaction emanates from the Vatican and Wall Street. Over half of the sheet was devoted to an attack on the Roman Catholic Church and Cardinal Camara. It ended with a salute to world peace, the USSR, Luiz Carlos Prestes, and the Communist Party of Brazil. Sources stated that this document is the work of the Federal Government because the attack against the Church and clergy is far stronger than the Communists would dare make it in view of the strong position the Church holds in Brazil. Sources add that they believe the government did this in order to create a serious situation which would necessitate the declaration of a state of siege, suspension of civil rights, and the dissolution of Congress.

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Approved For Release 2001/03/05 : CIA-RDP82-00457R004100140012-2

Document No. 9
 NO CHANGE in Class
☒ DECLASSIFIED
 Class CHANGED re: TS S G
 EDA Memo 4 Apr 79
 EDA Sec 10041000122
 Auth: 82-00457 R0041000122
 Date: 1 JUN 78 By: 24

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3. Financial circles in Brazil are discussing a deal that the Brazilian government allegedly made to sell the remaining 1949 coffee stocks, as well as the 1950 and 1951 crops, to a group of United States importing firms. The agreed price is said to be Cr\$10 per kilo and the entire payment is to be made in January 1950. Informed persons account for the rise in coffee prices by this deal. [REDACTED] this transaction could avert the serious economic crisis which is confronting Brazil, but it is rumored that the money will be used to launch an intensive campaign of agitation throughout the country preparatory to the declaration of a state of siege. It is reported that the government will increase the salary of all civil servants, including the Army, so that it can count on support within its own ranks in the event of a coup.

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Activities of Adhemar de Barros

4. Adhemar de Barros, Governor of the State of Sao Paulo, made an agreement some time ago with Caio Dias Baptista, a member of his cabinet, which provided that the latter would succeed Barros when he officially entered the presidential campaign. At the time of the agreement, Barros placed Cr\$300,000,000 at the disposal of Baptista for use in the campaign for the governorship. This money was obtained by both men in the sale of a railroad.**
5. However, Barros also entered into an agreement with Luiz Gonzaga Novelli, Jr., leader of the Partido Social Democratico (Social Democratic Party - PSD) in Sao Paulo. Barros offered to support the PSD gubernatorial candidate in exchange for support in the presidential election by the PSD.
6. When Baptista learned of the pact made with the PSD, he refused a request of Barros that he turn over Cr\$20,000,000 of the Cr\$300,000,000 electoral fund to the Diarios Associados for services rendered by the newspapers to Barros. Ulisses Marcello, another member of Barros' cabinet who held Cr\$205,000,000 in political funds, was persuaded by Baptista to refuse payment also. This lack of cooperation caused Barros to dismiss both men from his cabinet. Other persons left Adhemar's party, including Salomao Jorge, a trusted friend of Barros and the Partido Social Progressista (Social Progressive Party - PSP) leader in the State Assembly. Jorge was reportedly paid Cr\$20,000,000 by Baptista and Marcello for his speech in the Assembly attacking Adhemar. Adhemar is believed to be aware of the fact that he has hindered his plans by betraying his friends.
7. Barros reportedly is on quite friendly terms with the Communists in the State of Sao Paulo, in spite of his surface attitude of hostility since the beginning of his campaign. He has not taken action against the Communists unless forced to by the clergy or other pressure groups. Antonio de Barros, brother of the governor, is chief of his permanent cabinet and de facto Chief of Police. Antonio controls the personnel and funds of the Police Department and so has been in a position to allow the Communists to operate fairly openly in exchange for electoral support for his brother. The Communist press and propaganda have been largely undisturbed and many cells have been organized. Adhemar is expected to choose as his successor someone in whom he has complete confidence, possibly his brother Antonio.
8. Adhemar has been active in building up the PSP throughout the country. He hopes to win the next elections for PSP candidates in the gubernatorial races in Maranhao and Rio Grande do Sul as well as in various federal, state, and municipal contests. Barros has won over to the PSP Saturnino Belo, Vice-Governor of Maranhao, and Federal Senator from Maranhao, Jose Neivra. Gabriel Pedro Moacir, Barros' representative in Porto Alegre, is a frequent visitor of Governor Walter Jobim (PSD), and he contacts other political leaders in Rio Grande do Sul. Moacir is also believed to be contacting Communist elements in the State and to be contributing regularly to Tribuna Gaucha, the Communist publication.

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Activities of Getulio Vargas

9. Getulio is apparently taking advantage of the political unrest to launch his presidential candidacy. Caio Dias Baptista is believed to have joined forces with Vargas' PTB and has worked out a propaganda program in conjunction with PTB Deputy Segados Viana. A large amount of Queremista campaign literature is being collected for distribution throughout the country at a prearranged time. In Rio de Janeiro, they have taken over more than sixty rooms from which they will distribute propaganda to the public.
10. A meeting of the PTB was held in Rio recently at which there were representatives from every state in the country. The representative from Rio Grande do Sul was State Deputy Joao Nunes de Campon, Vice President of the State Assembly, who stated that while there would be a PTB National Convention to select a candidate, it was hoped that Getulio would be nominated.
11. Alberto Pasqualini, former PBT gubernatorial candidate in Rio Grande do Sul, arrived in Rio during the middle of December and has been active in Queremista activities. He has been visited by Luthero and Espartaco Vargas, son and brother respectively of Getulio. It has been reported that Pasqualini's task in Rio is to push Brigadeiro Eduardo Gomes as an "anti-golpista" man. Vargas forces believe Gomes to be the logical man to forestall a Dutra coup and plan to side-step Gomes then and devote their entire energies to Getulio's campaign. Queremistas are counting on the support of Jobim, Ramos, and all Queremista elements in the PSD.
12. President Dutra, who is believed to be aware of Getulio's power, is expected to offer the Ministry of Labor post to a PTB member selected by Vargas in early 1950. Honorio Monteiro, the present Minister of Labor, will be given the opportunity of running for the Senate.

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[REDACTED] Comment. This is believed to be the Sorocabá Railroad.

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